Caution: DRAFT FORM

This is an advance draft copy of a California tax form. It is subject to change and FTB approval before it is officially released.

If you have any comments on this draft form, you can submit them to us on our website at www.ftb.ca.gov/forms/drafts/index.html.

TAXABLE YEAR _____SCHEDULE

2008 California Capital Gain or Loss Adjustment

D (540NR)

The stample 100 shares of "Z" (S stock) 1b 2 Net gain or (loss) shown on California Schedule(s) K-1 (541, 565, 568, and 1008) 2 Capital gain distributions (federal Form 1099-DIV, box 2a minus box 2c) 4 Total 2008 gain from all sources. Add column (e) amounts of line 1a, line 1b, line 2, and line 3 5 2008 loss. Add column (d) amounts of line 1a, line 1b, and line 2. 6 California capital loss carryover from 2007, if any. See instructions. 7 Total 2008 loss. Add line 5 and line 6. 8 Combine line 4 and line 7. If a loss, go to line 9. If a gain, go to line 10.	(d) (c) is more than act (b) from (c) Gain. If (b) is more than (c), subtract (c) from (b)
Description of property (idéntify S corporation stock) Example 100 shares of "Z" (S stock) 1a Net gain or (loss) shown on California Schedule(s) K-1 (541, 565, 568, and 100S) Capital gain distributions (federal Form 1099-DIV, box 2a minus box 2c) Total 2008 gain from all sources. Add column (e) amounts of line 1a, line 1b, line 2, and line 3 California capital loss carryover from 2007, if any. See instructions. Combine line 4 and line 7. If a loss, go to line 9. If a gain, go to line 10.	Gain. If (b) is more than act (b) from (c) Gain. If (b) is more than (c), subtract (c) from (b)
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7 Total 2008 loss. Add line 5 and line 6)
8 Combine line 4 and line 7. If a loss, go to line 9. If a gain, go to line 10)
	8
9 If line 8 is a loss, enter the smaller of: (a) the loss on line 8.	
(b) \$3,000 (\$1,500 if married or an RDP filling a separate return). See instruc	ctions 9 (
Enter the gain or (loss) from federal Form 1040, line 13	
Enter the California gain from line 8 or (loss) from line 9	
2 a If line 10 is more than line 11, enter the difference here and on Schedule CA (540NR) line 13, column B	12a
b If line 10 is less than line 11, enter the difference here and on Schedule CA (540NR), line 13, column C	12b
AXABLE YEAR DODGE STORY OF A STO	CALIFORNIA FORM
2008 Depreciation and Amortization Adjustments Do not complete this form if your California depreciation amounts are the same as federal amounts.	3885A
Part I Identify the activity as passive or nonpassive. (See instructions.) Business or activity to which for	m FTB 3885A relates
1 This form is being completed for a passive activity.	
☐ This form is being completed for a nonpassive activity. Part II Election to Expense Certain Tangible Property (IRC Section 179).	
2 Enter the amount from line 12 of the Tangible Property Expense Worksheet in the instructions	2
Part III Depreciation (a) (b) (b) (c) (d) Method (d) Method (d) Method (e) (f) (f) (h) (f) (h) (h) (h) (h	d Life or California rate depreciation deduction
3	
4 Add the amounts on line 3, column (f)	A
5 California depreciation for assets placed in service prior to 2008	5
6 Total California depreciation from this activity. Add the amounts on line 2, line 4, and line 5	
7 Total federal depreciation from this activity. Enter depreciation from federal Form 4562, line 22	
8 a If line 6 is more than line 7, enter the difference here and see instructions	8a ————
b If line 6 is less than line 7, enter the difference here and see instructions	8b ————
Part IV Amortization (a) (b) (c) (d) (d) Code Date placed California basis	(e) (f) Period or California
in service for amortization section	percentage amortization deduction
9	
O Total Colifornia amountination from this patient. Add the accounts on line Co. 1. (C)	10
Total California amortization from this activity. Add the amounts on line 9, column (f)	
1 California amortization of costs that began before 2008	
 Total California amortization from this activity. Add the amounts on line 10 and line 11	
a If line 12 is more than line 13, enter the difference here and see instructions	
b If line 12 is less than line 13, enter the difference here and see instructions	

Instructions for California Schedule D (540NR)

California Capital Gain or Loss Adjustment

References in these instructions are to the Internal Revenue Code (IRC) as of January 1, 2005, and to the California Revenue and Taxation Code (R&TC)

General Information

In general, California law conforms to the Internal Revenue Code (IRC) as of January 2005. However, there are continuing differences between California and federal law. When California conforms to federal tax law changes, we do not always adopt all of the changes made at the federal level. For more information, go to our website at ftb.ca.gov and search for conformity. Additional information can be found in FTB Pub. 1001, Supplemental Guidelines to California Adjustments, the instructions for California Schedule CA (540 or 540NR), and the Business

The instructions provided with California tax forms are a summary of California tax law and are only intended to aid taxpayers in preparing their state income tax returns. We include information that is most useful to the greatest numbe of taxpayers in the limited space available. It is not possible to include all requirements of the California Revenue and Taxation Code (R&TC) in the tax booklets. Taxpayers should not consider the tax booklets as authoritative law.

For purposes of California income tax, references to a spouse, a husband, or a wife also refer to a California registered domestic partner (RDP), unless otherwise specified. When we use the initials RDP they refer to both a California registered domestic "partner" and a California registered domestic "partner" and a California registered domestic "partnership," as applicable. For more information on RDPs, get FTB Pub. 737, Tax Information for Pagistered Domestic Bartnership. Registered Domestic Partners

Purpose

Full-year nonresidents or part-year residents report gains and losses as if they were a full-year resident for the entire year using California amounts. Therefore, all gains and losses must be reported. Full-year nonresidents or part-year residents gains and rosses must be reported. Fun-year homesidents of part-year residents complete Schedule D (540NR), California Capital Gain or Loss Adjustment, and the Schedule D (540NR) Worksheet for Nonresident and Part-Year Residents, in order to complete column E on Schedule CA (540NR), California Adjustments - Nonresidents or Part-Year Residents.

For nonresidents the computation of California taxable income, capital loss carryovers, and capital loss limitations are determined based upon California source income and loss items only. For purposes of calculating California taxable income, the character of gains and losses on the sale or exchange of property used in the trade or business or certain involuntary conversions (IRC Section 1231) are determined by netting California sourced Section 1231 gains and losses only.

If you moved in or out of California during the year, get FTB Pub.1100, Taxation of Nonresidents and Individuals Who Change Residency

Get FTB Pub. 1001, for more information about the following

- Disposition of property inherited before 1987.
- Disposition of S corporation stock acquired before 1987.
- Gain on the sale or disposition of a qualified assisted housing development to low-income residents or to specific entities maintaining housing for low-income residents.
- Capital loss carryback.

Exclusion of Gain on Qualified Small Business Stock. California law (R&TC Section 18152.5) provides an exclusion (similar to the federal exclusion under IRC Section 1202) of 50% of the gain on the sale of qualifying small business stock originally issued after 8/10/93, that was held for more than 5 years. However, for California purposes, at least 80% of the issuing corporation's payroll must be attributable to employment located within California, and at least 80% of the value of the corporation's assets must be used by the corporation to actively conduct one or more qualified trades or businesses in California. If you have gain on the sale of qualified small business stock that qualifies for the federal Section 1202 sale of qualified small business stock that qualifies for the federal Section 1202 exclusion, go to the instructions for line 1b.

Installment Sales: If you sold property at a gain (other than publicly traded stocks or securities) and you will receive a payment in a tax year after the year of sale, report the sale on the installment method unless you elect not to do so. Get form FTB 3805E, Installment Sale Income. Also, use that form if you received a payment in 2008, for an installment sale made in an earlier year.

You may elect to not use the installment sale method for California by reporting the entire gain on Schedule D (540NR) or Schedule D-1, Sale of Business Property, for business assets in the year of the sale, and filing your return on or before the due date.

At-Risk Rules and Passive Activity Limitations. If you dispose of (1) an asset used in an activity to which the at-risk rules apply, or (2) any part of your interest in an activity to which the at-risk rules apply, and you have amounts in the activity for which you are not at risk, get and complete federal Form 6198, At-Risk Limitations, using California amounts to figure your California deductible loss under the triple of the complete federal Form 6198. under the at-risk rules. Once a loss becomes allowable under the at-risk rules, it becomes subject to the passive activity rules. Get form FTB 3801, Passive Activity Loss Limitations.

Specific Line Instructions

Line 1a - List each capital asset transaction.

Column (a) - Description of Property. Describe the asset you sold or exchanged.

Column (b) - Sales Price. Enter in this column either the gross sales price or the net sales price. If you received a Form 1099-B, Proceeds From Broker and Barter Exchange Transactions; Form 1099-S, Proceeds From Real Estate Transactions; or similar statement showing the gross sales price, enter that amount in column (b). However, if box 2 of Form 1099-B indicates that gross proceeds less commissions and option premiums were reported to the IRS, enter that net amount in column (b). If you entered the net amount in column (b), do not include the commissións and option premiums in column (c)

Column (c) – Cost or Other Basis. In general, the cost or other basis is the cost of the property plus purchase commissions and improvements, minus depreciation, amortization, and depletion. Enter the cost or adjusted basis of the asset for California purposes. Use your records and California tax returns for years before 1987 to determine the California amount to enter in column (c). If you used an amount other than cost as the original basis, your federal basis may be different from your California basis. Other reasons for differences include:

Depreciation Methods and Property Expensing – Before 1987, California law disallowed the use of ACRS (Accelerated Cost Recovery System) and disallowed the use of an asset depreciation range 20% above or below the standard rate. Before 1999, California had different limits on the expensing of property under IRC Section 179. California law permits rapid write-off of certain property such as solar energy systems, pollution control devices, and property used in an Enterprise Zone, LAMBRA, Targeted Tax Area, or LARZ.

Inherited Property - The California basis of property inherited from a decedent is generally fair market value (FMV) at the time of death

S Corporation Stock - Prior to 1987, California law did not recognize S corporations and your California basis in S corporation stock may differ from your federal basis. In general, your California basis will be cost-adjusted for income, loss, and distributions received after 1986, while your stock was California S corporation stock. Your federal basis will be cost-adjusted for income, loss, and distributions received during the time your stock qualified for federal S corporation treatment. Effective for faxable years beginning on or after January 1, 2002, any corporation with a valid federal S corporation election is considered an S corporation for California purposes. Existing law already requires federal C corporations to be treated as C corporations for California purposes.

Special Credits – California law authorizes special tax credits not allowed under federal law or computed differently under federal law. If you claimed special credits related to capital assets, reduce your basis in the assets by the amount of credit.

Other adjustments may apply differently to the federal and California basis of your capital assets. Figure the original basis of your asset using the California law in effect when the asset was acquired, and adjust it according to provisions of California law in effect during the period of your ownership.

Line 1b - R&TC Section 18152.5 Exclusion. If the gain qualifying for the IRC Section 1202 exclusion also qualifies for the California exclusion under R&TC Section 18152.5: Enter in column (a) "Section 18152.5 Exclusion." Complete column (b) and column (c) according to the instructions for line 1a. Enter in column (d) the amount of gain that qualifies for the California exclusion. Enter in column (e) the entire gain realized. If the gain qualifying for the IRC Section 1202 exclusion does not qualify for the California exclusion: Complete column (a), column (b), and column (c) according to the instructions for line 1a. Enter -0- in column (d) and enter the entire gain realized in column (e).

Line 2 - Net Gain or (Loss) Shown on California Schedule(s) K-1 (541, 565, 568, and 100S). Combine gain(s) and loss(es) from all California Schedule(s) K-1(541), Beneficiary's Share of Income, Deductions, Credits, Etc.; K-1(565), Partner's Share of Income, Deductions, Credits, Etc.; K-1(568), Member's Share of Income, Deductions, Credits, Etc.; and K-1(100S), Shareholder's Share of Income, Deductions, Credits, Etc.; and K-1(100S), Shareholder's Share of Income, Deductions, Credits, Etc. See California Schedule(s) K-1 (541, 565, 568, and 100S) instructions for more information on capital gains and losses. Enter the net loss on line 2, column (d) or the net gain on line 2, column (e)

Line 3 - Capital Gain Distributions. If you receive federal Form 2439, Notice to Shareholder of Undistributed Long-Term Capital Gains, from a mutual fund, do not include the undistributed capital gain dividends on Schedule D (540NR). If you receive federal Form 1099-DIV, Dividends and Distributions, enter the amount of distributed capital gain dividends.

Line 6 - 2007 California Capital Loss Carryover. If you had prior year carryover losses, recalculate those losses as if you had been a resident for all prior years. Enter this amount on line 6. Get FTB Pub. 1100, for more information.

Line 8 - Net Gain or Loss. If the amount on line 4 is more than the amount on line 7, subtract line 7 from line 4. Enter the difference as a gain on line 8.

If the amount on line 7 is more than the amount on line 4, subtract line 4 from For example: line 7 and enter the difference as a negative amount on line 8. Loss on line 10 is more than loss on line 11. Use the worksheet on this page to figure your capital loss carryover to 2009. Line 9 - If line 8 is a net capital loss, enter the smaller of the loss on line 8 or \$3,000 (\$1,500 if married or an RDP filing a separate return). Loss on line 10 and gain on line 11. Line 12a – Compare the amounts entered on line 10 and line 11 to figure the adjustment to enter on Schedule CA (540NR), line 13, column B. California gain on line 11 is......\$5,000 For example: Loss on line 10 is less than loss on line 11. California Capital Loss Carryover Worksheet For Full-Year Residents (\$2.000)Loss from Schedule D (540NR), line 11, stated as a positive number 1 Difference between line 10 and line 11..... .\$1,000 Gain on line 10 and loss on line 11. Amount from Long Form 540NR, line 18 Federal gain on line 10 is Subtract line 3 from line 2. If less than zero, enter as a negative (\$3,000)Difference between line 10 and line 11..... Combine line 1 and line 4. If less than zero, enter -0-..... 5 Line 12b - Compare the amounts entered on line 10 and line 11 to figure the Enter loss from Schedule D (540NR), line 8 as a positive number . . . 6 adjustment to enter on Schedule CA (540NR), line 13, column C. Subtract line 7 from line 6. This is your capital loss carryover to 2009. 8

Schedule D (540NR) **Worksheet for Nonresidents and Part-Year Residents**

Complete Schedule D (540NR) first.

Full-year nonresidents: Complete column A and column B only. Enter the amount shown in column B, line 4 (if there is an overall gain) or line 5 (if there is a loss), on Schedule CA (540NR) line 13, column E.

Part-year Residents:

Enter the number of	of days duri	ig the year y	you were a CA residen	t:	<u>.</u>
Enter the number of	of days durii	ng the year y	you were a nonresider	it:	

Column A, line 1 through line 5 should be the same as the amounts shown on Schedule D (540NR), lines 4, 5, 6, 8, and 9 respectively.

Columns A and B, line 3, should show a carryover amount that has been computed as if you had been a resident in all prior years for column A and as if you had been a nonresident for all prior years for column B.

Columns C and D should be completed taking into account the dates of the transactions. For column C, multiply the amount in column A by the number of days you were a resident divided by 366 days. For column D, multiply the amount in column B by the number of days you were a nonresident divided by 366 days.

Line 4 If the amount shown in column E is a gain, enter that amount on Schedule CA (540NR) line 13, column E. If a loss, go to line 5.

Line 5 Enter the amount shown in column E on Schedule CA (540NR) line 13.

		A	В	C	D	E
		Enter total as if you were a CA resident for the entire year.	Enter amounts earned or received from CA sources as if you were a nonresident for the entire year.	Enter amounts earned or received during the portion of the year you were a CA resident.	Enter amounts earned or received from CA sources during the portion of the year you were a nonresident.	Total Combine column C and column D.
1 Gains						
2 Losses						
3 Prior year los	s carryover.					
4 Combine line	1 through line 3.					
line 4 or \$3,0	ller of the loss on 00 (\$1,500 if mar- P filing separately).					

Capital Loss Carryover Worksheet

Complete this worksheet only if at the end of the year you were a resident and line 4, column A above shows a loss or at the end of the year you were a nonresident and line 4, column B above shows a loss. In completing this worksheet, if you were a resident at the end of the year, use the column A amounts shown above; if you were a nonresident, use the column B amounts.

1	Enter the total loss from the Schedule D (540NR) Worksheet, line 5, as a positive number	
2	Amount from Long Form 540NR, line 17	
3	Amount from Long Form 540NR, line 18	
4	Subtract line 3 from line 2. If less than zero, enter as a negative amount	
5	Combine line 1 and line 4. If less than zero, enter -0-	
6	Enter the total loss from Schedule D (540NR) Worksheet, line 4, as a positive number	
7	Enter the smaller of line 1 or line 5	
8	Subtract line 7 from line 6. This is your capital loss carryover to 2009	

Instructions for Form FTB 3885A

Depreciation and Amortization Adjustments

References in these instructions are to the Internal Revenue Code (IRC) as of January 1, 2005, and to the California Revenue and Taxation Code (R&TC)

General Information

In general, California law conforms to the Internal Revenue Code (IRC) as of January 2005. However, there are continuing differences between California and federal law. When California conforms to federal tax law changes, we do not always adopt all of the changes made at the federal level. For more information, go to our website at **ftb.ca.gov** and search for **conformity**. Additional information, and be found in FTB Pub. 1001, Supplemental Guidelines to California Adjustments, the instructions for California Schedule CA (540 or 540NR), and the Business Entity tax

The instructions provided with California tax forms are a summary of California tax law and are only intended to aid taxpayers in preparing their state income tax returns. We include information that is most useful to the greatest number of taxpayers in the limited space available. It is not possible to include all requirements of the California Revenue and Taxation Code (R&TC) in the tax booklets. Taxpayers should not consider the tax booklets as authoritative law.

Get FTB Pub. 1001, for more information on differences between California and federal law for the following items:

Amortization of certain intangibles (IRC Section 197)

Qualified Indian reservation property Grapevines subject to Phylloxera or Pierce's disease

Additional depreciation.

For purposes of California income tax, references to a spouse, a husband, or a wife also refer to a California registered domestic partner (RDP), unless otherwise specified. When we use the initials RDP they refer to both a California registered domestic "partner" and a California registered domestic "partner" as applicable. For more information on RDPs, get FTB Pub. 737, Tax Information for Registered Domestic Partners.

Purpose

Use form FTB 3885A, Depreciation and Amortization Adjustments, only if a difference occurs between the amount of depreciation and amortization allowed as a deduction using California law and the amount allowed using federal law. California law and federal law have not always allowed the same depreciation methods, special credits, or accelerated write-offs. As a result, the recovery periods or the basis on which the depreciation is figured for California may be different from the amounts used for federal purposes. You will probably have reportable differences if all or part of your assets were placed in service:

Before 1/1/87. California disallowed depreciation under the federal accelerated cost recovery system (ACRS). You must continue to figure California

depreciation for those assets in the same manner as in prior years.

On or after 1/1/87. California provides special credits and accelerated write-offs that affect the California basis of qualifying assets. California did not conform to all changes to federal law enacted in 1993; therefore, the California basis or recovery periods may be different for some assets.

On or after 9/11/01. If you claimed the 30% additional depreciation for federal purposes, California has not conformed to the federal Job Creation and Worker

purposes, California has not conformed to the federal Job Creation and Worker Assistance Act of 2002 which allows taxpayers to take an additional first year depreciation deduction and Alfernative Minimum Tax depreciation adjustment for property placed in service on or after 9/10/01. California generally conforms to the federal 2003 increase (IRC Section 280F) for the limitation on luxury automobile depreciation. However, California does not conform to IRC Section 168(k) provisions (30% and 50% additional first year depreciation). In addition, SUVs and minivans built on a truck chassis are now included in the definition of trucks and vans when applying the 6,000 pound gross weight limit.

Differences also occur for other less common reasons, and the instructions for Schedule CA (540NB), California Adjustments - Nonresidents or Part-Year Residents, list them on the line for the type of income likely to be affected. Get FTB Pub. 1001, for more information about figuring and reporting these adjustments.

If reporting a difference for assets related to a passive activity, get form FTB 3801, Passive Activity Loss Limitations, for more information about passive activities

Do not use form FTB 3885A to report depreciation expense from federal Form 2106, Employee Business Expenses. Instead, see the instructions for Schedule CA (540NR), line 41.

Specific Line Instructions

Prepare and file a separate form FTB 3885A for each business or activity on your return that has a difference between California and federal depreciation or amortization. Enter the name of the business or activity in the space provided at the top of the form. If you need more space, attach additional sheets. However, complete Part II, Election to Expense Certain Tangible Property (IRC Section 179), only once.

Part I Identify the Activity as Passive or Nonpassive
Line 1 – Check the box to identify the activity as passive or nonpassive. A passive
activity is any activity involving the conduct of any trade or business in which you did not materially participate. Get form FTB 3801 for more information.

If the activity is passive, use this form as a worksheet to figure the depreciation adjustment to carry to form FTB 3801. Beginning in 1994, and for federal purposes only, rental real estate activities of persons in real property business are not automatically treated as passive activities. California did not conform to this provision.

Part II Election To Expense Certain Tangible Property

If you qualify, you may elect to expense part of the cost of depreciable personal property used in your trade or business and certain other property described in federal Publication 946, How to Depreciate Property, property purchased, as defined in the IRC Section 179(d)(2), and placed it in service during 2008, that has a carryover of unused cost from 2007. If you elect this deduction, reduce your California depreciable basis by the IRC Section 179 expense.

Although federal law increased the IRC Section 179 expense to \$250,000, under California law the maximum deduction allowed for 2008 is \$25,000.

Complete the worksheet below to figure IRC Section 179 expense for California. Include all assets qualifying for the deduction occause the limit applies to all qualifying assets as a group rather than to each asset individually. Refer to federal Form 4562, Depreciation and Amortization, for more information.

	Tangible Property Expense Worksheet						
		I Maximum dollar limitation for California 1_\$					
		Total cost of Section 179 property placed in service 2					
	3	3 Threshold cost of section 179 property before reduction in					
ł	4	limitation					
1	4	If zero or less, enter -0					
ı	5	Dollar limitation for tax year	r Subtract line 4 fro	om line 1	'		
1	U	If zero or less, enter -0			5		
ŀ	(2)	Description of property					
ŀ	<u>(a)</u>	Description of property	(1) 0031	(b) Lieuteu cost			
ł	0				-		
ŀ		Listed property (elected Sec		. 7			
	8	B Total elected cost of Section 179 property.					
	_	Add line 6 column (c) and l	ine 7		8		
		Tentative deduction. Enter t					
		O Carryover of disallowed deduction from 200710					
	П	1 Enter the smaller of business income (not less than -0-)					
	12	or line 5					
	12	Add line 9 and line 10, but do not enter more than					
		line 11. Also enter the result on form FTB 3885A, line 2 12					
	13	Carryover of disallowed ded		, v =			
	-	Add line 9 and line 10.					
		subtract line 12 from the re	sult	. 13			

Part III Depreciation

Line 3 — Complete column (a) through column (f) for each tangible asset or group of assets placed in service during the tax year. Use the California basis for assets on which you elected to take the Section 179 deduction. It will be the difference between line 6, column (b) and line 6, column (c) of the Tangible Property Expense Worksheet in Part II.

Line 8a and Line 8b - Are you using this form as a worksheet in connection with form FTB 3801?

Yes Enter the amount from line 8a or line 8b on form FTB 3801, Side 2, California Passive Activity Worksheet, column (e).

Include the amount from line 8a on Schedule CA (540NR) in column B on line 12 for federal Schedule C, Profit or Loss From Business, activities; on line 17 for federal Schedule E, Supplemental Income and Loss, activities; and on line 18 for federal Schedule F, Profit or Loss From Farming, activities. Include the amount from line 8b on Schedule CA (540NR) in column C on line 12 for federal Schedule C activities; on line 17 for federal Schedule E activities; and on line 18 for federal Schedule F activities.

Part IV Amortization

Line 9 - Complete column (a) through column (f) for intangible assets placed in service during the tax year. Use the California basis and the California recovery

Line 14a and Line 14b - Are you using this form as a worksheet in connection with form FTB 3801?

Enter the amount from line 14a or line 14b on form FTB 3801, Side 2, California Passive Activity Worksheet, column (e)

Include the amount from line 14a on Schedule CA (540NR) in column B on line 12 for federal Schedule C activities; on line 17 for federal Schedule E activities; and on line 18 for federal Schedule F activities

Include the amount from line 14b on Schedule CA (540NR) in column C on line 12 for federal Schedule C activities; on line 17 for federal Schedule E activities; and on line 18 for federal Schedule F activities.